United Nations A/55/380/Add.2

General Assembly

Distr.: General
1 March 2001

Original: English

Fifty-fifth session
Agenda item 115
Financial reports and audited financial statements, and reports of the Board of Auditors

First report on the implementation of the recommendations of the Board of Auditors concerning United Nations peacekeeping operations for the financial period ending 30 June 2000

Report of the Secretary-General

I. Introduction

1. The General Assembly, in paragraph 7 of its resolution 48/216 B of 23 December 1993, requested the Secretary-General to report to it at the same time as the recommendations of the Board of Auditors are submitted to the Assembly on measures taken or to be taken to implement those recommendations.

2. Accordingly, the present report responds to the recommendations of the Board made in its report on the accounts of the United Nations peacekeeping operations for the 12-month period ending 30 June 2000.[1] This response is based on the assumption that all such recommendations would be approved by the General Assembly at its current session. Information is provided on measures taken or to be taken to implement the recommendations.

3. In preparing the present report, account was also taken of the provisions of the following General Assembly resolutions:

(a) Resolution 50/204 A of 23 December 1995 (in particular para. 4, regarding implementation of the recommendations of the Board of Auditors);

(b) Resolution 51/225, section A, of 3 April 1997 (in particular para. 10, regarding the timetable for the implementation of recommendations of the Board);

(c) Resolution 52/212 B of 31 March 1998 (in particular paras. 2-5) and the note by the Secretary-General transmitting the proposals of the Board for improving the implementation of its recommendations approved by the Assembly (A/52/753, annex).

II. Implementation of recommendations contained in paragraph 11 of the report of the Board of Auditors

4. **In paragraph 11 (a) of its report, the Board of Auditors recommended that the Administration ensure that valid expenditure incurred in a financial period be accrued in the same financial period.**

5. It should be noted that it is not possible to record claims for which funding has not yet been decided upon by the General Assembly. These expenditures can be reflected only as contingent liabilities. This practice remains unchanged from previous years, as reflected in

01-27171 (E) 130301

paragraph 7 of the report on implementation of the recommendations of the Board of Auditors on United Nations peacekeeping operations for the financial period ended 30 June 1999 (A/54/748).

6. Vigorous attempts have, however, been made to reduce the amount of such unrecorded certified claims, resulting in a substantial reduction from $149 million as at 30 June 1999 to $39.9 million as at 30 June 2000. Furthermore, as concerns the remaining items, once total requirements to cover contingent-owned equipment claims have been confirmed by the Department of Peacekeeping Operations, a proposal will be submitted to the General Assembly on the appropriate funding requirements. Once approved, liabilities would be recorded, thereby eliminating or further reducing the amount of unrecorded liabilities. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of this recommendation.

7. **In paragraph 11 (b), the Board recommended that the Administration ensure that rule 104.1 of the Financial Regulations and Rules of the United Nations, which require obligations to be supported by appropriate valid obligating documents, be adhered to and that obligations be raised in the correct financial period against the appropriate budgeted amounts.**

8. The recommendation has been implemented. The United Nations Interim Administration Mission in Kosovo (UNMIK) has undertaken a systematic review of all unliquidated obligations and has also implemented measures for the continuous review of obligations to ensure that only valid amounts are retained in the accounts. The cases cited in respect of the United Nations Transitional Administration in East Timor (UNTAET) were by their nature exceptional, and the mission has taken note of the need to comply strictly with rule 104.1 of the Financial Regulations and Rules. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

9. **In paragraph 11 (c), the Board recommended that field missions send verification reports in respect of contingent-owned equipment directly to the Finance Management and Support Service, where the comparison to the memoranda of understanding should be performed.**

10. The Department of Peacekeeping Operations concurs with the recommendation regarding the submission of the verification reports by the missions directly to the Finance Management and Support Service and has issued the directive necessary for its implementation. At the same time, close consultation between the Finance Management and Support Service and the Logistics and Communications Service should continue, as necessary, to assist in the technical aspects of the review. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

11. **In paragraph 11 (d), the Board recommended that the Administration reconcile all differences in inventory reports, to be based on the field assets control system, and implement measures to ensure that the system is complete, continuously updated and accurately maintained.**

12. The recommendation has been implemented. the Department of Peacekeeping Operations has instructed all missions to ensure that differences in inventory reports are reconciled. The Department has also reminded all missions of measures to improve the quality of information in the field assets control system. These measures include training of staff members on the system, periodic physical inventory counts, provision of all non-expendable property with bar codes and updating of the field assets control system databases of the missions on a more regular basis. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

13. **In paragraph 11 (e), the Board recommended that the Administration ensure that supplier evaluations are completed on a timely basis.**

14. The recommendation has been implemented. The Field Administration and Logistics Division has issued a reminder to all missions to submit supplier evaluations on all contracts above the threshold of $200,000, as required by procurement directives. Furthermore, the Division has created a field in its contract management database to monitor the submission of those reports. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

15. **In paragraph 11 (f), the Board recommended that the Administration undertake a review of resources currently available to meet peacekeeping**

procurement needs, establish more systems contracts where possible and encourage proper procurement planning.

16. The Department of Peacekeeping Operations has initiated a range of systems contracts over the past year addressing most of the major items required to sustain peacekeeping operations. The Department will continue to explore additional areas for such contracts. Further aspects of procurement reform are being reviewed and followed up in the context of the report of the United Nations Panel on Peace Operations (A/55/305-S/2000/809). The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

17. **In paragraph 11 (g), the Board recommended that the Department of Peacekeeping Operations re-emphasize the need for missions to fully comply with established procedures regarding the issue of miscellaneous obligating documents.**

18. The recommendation has been implemented. Reminders have recently been sent to all missions on the need to comply strictly with established procedures regarding the use of miscellaneous obligating documents. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

19. **In paragraph 11 (h), the Board recommended that the Administration implement measures to ensure that the Liquidation Unit takes responsibility for the overall monitoring and coordination of the liquidation process, that staff have proper access to application systems and that staff are appropriately qualified and experienced in all facets of the liquidation process.**

20. The Department of Peacekeeping Operations has taken appropriate steps to address the resource requirements of the Liquidation Unit to enhance its effectiveness. In this regard, the recruitment of additional personnel approved under the emergency increase in the support account to support liquidation activities is in progress. Also, the Liquidation Unit has been provided with expanded access to the relevant computer databases in order to monitor more effectively the liquidation process. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

21. **In paragraph 11 (i), the Board recommended that the Administration implement urgent measures to expedite the filling of vacant posts at peacekeeping missions.**

22. The recruitment of additional personnel officers to strengthen support to the missions is under way as part of the emergency support account increase. Moreover, recruitment of personnel for the governance components of UNMIK and UNTAET has been delegated to the missions in order to speed up the recruitment process. Both missions are now actively recruiting personnel for their operations. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

23. **In paragraph 11 (j), the Board recommended that the Administration review the extent of compliance with current electronic data-processing policies and guidelines by peacekeeping missions, with a view to improving protocols that ensure sound controls and procedures.**

24. The process of implementing standard data-processing systems, tools, controls and procedures at all missions will be reviewed by the Field Administration and Logistics Division through a series of training sessions to be conducted during 2001 at the United Nations Logistics Base at Brindisi, Italy. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

25. **In paragraph 11 (k), the Board recommended that the Administration formulate an environmental management system to address environmental issues and ensure compliance with policies as it relates to peacekeeping operations.**

26. The Department of Peacekeeping Operations encourages initiatives in respect of environmental practices at the mission level, as it is aware of the importance of integrating environmental awareness and good practices into field operations. For this reason, a request for the resources necessary to develop and implement environmental programmes was included in the report of the Secretary-General on resource requirements for implementation of the report of the Panel on United Nations Peace Operations (A/55/507 and Add.1). Although the additional resources requested were not approved, the Department intends to request resources for environmental requirements in

the 2002/03 budgets of the various peacekeeping missions. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

III. Implementation of recommendations contained in the body of the report of the Board of Auditors

27. **The Board recommended, in paragraph 22 of its report, that missions adhere to the United Nations accounting standards and implement measures to monitor such compliance.**

28. To a large extent there is compliance with all material aspects of the United Nations accounting standards. The case noted by the Board relates to an offset of $0.1 million in payables against receivables by one mission and has since been resolved.

29. Financial reports received from missions will continue to be monitored to ensure that receivables and payables are fully offset only in justifiable cases. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of this recommendation.

30. **In paragraph 39, the Board recommended that the United Nations Logistics Base determine an appropriate value for the contributions in kind received, which should be disclosed in the notes to the financial statements for peacekeeping operations.**

31. The Assistant Secretary-General for Programme Planning, Budget and Accounts will ensure that information on contributions in kind is properly reflected in the financial statements. In the specific case of the Logistics Base, the Government of Italy recently provided an estimated value of the premises utilized by the Base, and this information will be reflected in future financial statements.

32. **In paragraph 45, the Board recommended that the Administration emphasize the importance of proper custody of United Nations property to all peacekeeping missions.**

33. The recommendation has been implemented. The Department of Peacekeeping Operations has reminded all peacekeeping missions of the importance of proper custody of United Nations property. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

34. **In paragraph 53, the Board recommended that the Administration take appropriate action to review the rates used for determining the reimbursement for contingent-owned equipment to ensure the reasonableness of reimbursement costs.**

35. The General Assembly's post-Phase V Working Group, which has been mandated to review the reimbursement rates, met in January 2001 and undertook the review of the rates, among other issues. The report of the Group will be discussed by the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee of the General Assembly during its resumed fifty-fifth session. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

36. **In paragraph 63, the Board recommended that the Department of Peacekeeping Operations ensure that all verification reports are submitted by the missions in a timely manner to facilitate prompt processing of reimbursements to Member States for contingent-owned equipment.**

37. The recommendation has been implemented. The United Nations Mission in Sierra Leone (UNAMSIL) has submitted all outstanding verification reports. Also, the Field Administration and Logistics Division has recently sent facsimiles to all missions reminding them of the importance of the timely submission of verification reports. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

38. **In paragraph 72, the Board recommended that the Administration instruct missions to process the transfer of non-expendable property with due care and to ensure that receiving parties inspect the goods on arrival, in a timely manner, to expedite the follow-up of discrepancies.**

39. The recommendation has been implemented. The Field Administration and Logistics Division has sent facsimiles to all missions instructing them to expedite the processing of all transactions relating to non-expendable property and to ensure that information in the field assets control system is updated regularly. The

Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

40. **In paragraph 85, the Board reiterated its recommendation made in its report for the period ended 30 June 1999[2] that the Administration remind missions to submit procurement plans based on inputs received from all sections in order to facilitate sound procurement principles, including the benefits of bulk purchasing and improved cash management.**

41. The recommendation has been implemented. Procurement plans for Headquarters and the field missions are now prepared at the beginning of a calendar year. The Field Administration and Logistics Division has reminded all missions to collect and submit their procurement plans to Headquarters for review and consolidation. The Department of Peacekeeping Operations submitted its procurement planning information for the year 2001 to the Procurement Division in January 2001. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

42. **In paragraph 99, the Board recommended that the Administration review the procurement process and the role of each section, taking into consideration the significance of adding value to the process, preventing duplication of efforts and reducing procurement lead time.**

43. Please see paragraph 16 above. The delegation of procurement authority instruments issued under financial rule 110.16 (b) delegate to Chief Administrative Officers in field missions the authority to procure goods and services up to a specific financial limit. Requisitions estimated by the Chief Administrative Officer to exceed the specified financial limit for the field mission are submitted for action to the Procurement Division at Headquarters through the Field Administration and Logistics Division. The instruments also provide for the establishment of local committees on contracts, which review proposed procurement actions and provide recommendations thereon to the Chief Administrative Officer. If the procurement action in question is within his or her specified financial limit, the Chief Administrative Officer takes a final decision on the recommendation of the Local Committee on Contracts. If the specified financial limit is exceeded, the proposed procurement action, along with the Committee's recommendation thereon, is submitted, through the Field Administration and Logistics Division, to the Procurement Division at Headquarters. Before submitting the proposed procurement action to the Procurement Division for a substantive commercial review, the Field Administration and Logistics Division reviews it from the administrative and management perspectives. Once the Field Administration and Logistics Division and the Procurement Division have completed their reviews, the proposed procurement is submitted to the Headquarters Committee on Contracts for its review, and its recommendation is sent to the Assistant Secretary-General for Central Support Services for a final decision.

44. **In paragraph 103, the Board recommended that the Administration evaluate the effectiveness of the liquidated damages clause in procurement contracts as a mechanism for ensuring prompt delivery by vendors.**

45. An evaluation of the effectiveness of the liquidated damages clause in procurement contracts, including whether the provision has the intended effect of compelling timely and satisfactory performance, is scheduled to be completed by 30 April 2001. The Assistant Secretary-General for Central Support Services is responsible for implementation of this recommendation.

46. **In paragraph 106, the Board reiterated the recommendation made in its report for the period ended 30 June 1999 that the Administration implement measures to ensure that for all goods received by field missions, receiving and inspection reports are issued on a timely basis, thus facilitating a more efficient procurement process.**

47. The recommendation has been implemented. The management of the United Nations Mission for the Referendum in Western Sahara has reminded the Receiving and Inspection Unit to comply fully with the established procedures on receiving and inspection reports. The Field Administration and Logistics Division has again stressed the importance of the timely issuance of receiving and inspection reports covering goods received by missions. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

48. **In order to ensure that goods and services are procured economically and that the tender process is transparent and equitable, the Board recommended in paragraph 109 that all staff members in the procurement sections and the members of the Local Committees on Contracts complete declarations confirming their independence in relation to vendors or potential vendors.**

49. To minimize potential conflict of interest, staff members who are assigned to procurement activities or are members of the Local Committee on Contracts and have any type of direct material interest in any vendor company should be required to disclose their interest. They should not participate in discussions relating to inclusion of those vendors on the Organization's approved list and other related issues, and should abstain from discussions involving companies with which they may be directly or indirectly associated. However, it should be noted that the Local Committee on Contracts is an advisory body whose recommendations are subject to review. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

50. **In paragraph 117, the Board recommended that the Administration expedite the conclusion of a memorandum of understanding with the host Government and clarify the tax and duty privileges of the United Nations to all pillars of UNMIK. Furthermore, in order to avoid any risk of liability being incurred by UNMIK in respect of fuel tax, the Board recommended that the Mission restrict the use of the UNMIK fuel stations to United Nations vehicles, take steps to ensure that it can properly trace fuel it has ordered and reconcile fuel ordered with the amounts actually delivered.**

51. The finalized version of the memorandum of understanding is to be presented for approval by the Government of the former Yugoslav Republic of Macedonia at a cabinet meeting in early 2001. Tax and duty privileges have been clarified, and there has been no delay in fuel importation due to taxes. With effect from September 2000, fuel stations have been reserved for the exclusive use of UNMIK. To ensure effective monitoring of petroleum, oil and lubricants that are delivered by the contractor, a direct liaison has been established between the UNMIK administration and the UNMIK customs service. To further strengthen the monitoring of fuel usage, the Mission has decided to install an electronically automated system (CARLOG) that will record all relevant information concerning the use of fuel. The procurement process has been completed, and it is expected that the CARLOG system will be fitted to almost all UNMIK vehicles and fuel pumps during 2001. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

52. **In paragraph 121, the Board recommended that the Administration implement controls at UNAMSIL designed to ensure that transactions being processed are properly authorized, supported with appropriate documentation and not duplicated.**

53. The Field Administration and Logistics Division has reminded the Mission to comply fully with established procedures relating to payment for services and goods. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

54. **In paragraph 126, the Board recommended that the Administration approve the liquidation guidelines as a directive for administering the liquidation of a mission in order to facilitate enforcing compliance with such procedures.**

55. The provisional guidelines on liquidation of missions are comprehensive and provide adequate guidance to missions under liquidation. The results and the lessons learned from the liquidation of the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium were used in updating the provisional guidelines, which were applied in the liquidation of the United Nations Preventive Deployment Force, the United Nations Mission of Observers in Tajikistan, the United Nations Civilian Police Mission in Haiti, the United Nations Mission in the Central African Republic and the United Nations Observer Mission in Angola (MONUA). However, there is a need to further update the guidelines. Once this task is complete, the liquidation guidelines will be released as a formal document to all field missions. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

56. **In paragraph 131, the Board recommended that the Administration emphasize compliance with the provisional liquidation manual to the missions**

in liquidation, which should also closely monitor the planning and subsequent execution thereof.

57. The Department of Peacekeeping Operations agrees fully with the recommendation regarding compliance with the liquidation manual and will continue to emphasize this matter to the missions in liquidation. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

58. **In paragraph 135, the Board recommended that the Department of Peacekeeping Operations Liquidation Unit develop a focused liquidation plan in respect of liquidation activities that become the responsibility of Headquarters.**

59. As communicated to the Board of Auditors, the Liquidation Unit routinely prepares progress reports to monitor the residual tasks that are handed over by missions in liquidation. Those reports, which serve as good planning and monitoring mechanisms, are updated periodically as the liquidation process progresses at Headquarters until the residual tasks are completed. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

60. **In paragraph 137, the Board recommended, in order to effect proper control and to achieve the objectives of the Liquidation Unit, that the Administration implement procedures to ensure that supporting documentation is accessible in a timely manner.**

61. The Department of Peacekeeping Operations has been in constant touch with the missions under liquidation to remind them of the importance of the timely submission of all source documents, particularly finance documents, to the Archive Unit at United Nations Headquarters to speed up the liquidation process. The Department will continue to emphasize this subject to missions in liquidation and will follow up accordingly. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

62. **In paragraph 141, the Board recommended that the Administration record the full sale of assets in accordance with the United Nations accounting standards.**

63. The Assistant Secretary-General for Programme Planning, Budget and Accounts will ensure that the full sale of assets relating to MONUA is recorded in the financial statements for the year ended 30 June 2001.

64. **In paragraph 147, the Board recommended that the Department of Peacekeeping Operations use the performance appraisal system for identification of training or development needs. Such training requirements should be considered during the planning of training courses for staff members.**

65. The Field Administration and Logistics Division has developed a new field performance appraisal system for use in field missions, which is currently under review by the Office of Human Resources Management. The proposed system requires the staff member and the supervisor to provide comments on the staff member's training and developmental needs, and the supervisor to advise on how these needs could be met. Once implemented, the system would provide a means of identifying specific training needs and assist in designing targeted training programmes for field staff. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

66. **In paragraph 153, the Board recommended that the Administration emphasize to all missions the importance of preparing bank reconciliations as soon as possible after each month-end and of senior officials reviewing and approving the bank reconciliations in a timely manner.**

67. The recommendation has been implemented. The Department of Peacekeeping Operations has reminded all missions to comply fully with established procedures relating to the preparation and review of bank reconciliation statements. The Under-Secretary-General for Peacekeeping Operations is responsible for implementation of this recommendation.

Notes

[1] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. II, chap. II.

[2] Ibid., *Fifty-fourth Session, Supplement No. 5* (A/54/5), vol. II, chap. II.